

# **Legislative Audit Division**

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State of Montana



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Report to the Legislature

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October 2004

## **Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 2004**

## **Office of the Commissioner of Political Practices**

**This financial-compliance audit report contains the results of our audit of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 2004. We issued an unqualified opinion on the financial schedules contained in the audit report. This means the reader may rely on the presented financial information. The audit report contains no recommendations directed to the Office of the Commissioner of Political Practices. The prior audit contained one recommendation.**

**Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705**

**04-21**

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## **FINANCIAL-COMPLIANCE AUDITS**

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2005, will be issued by March 31, 2006. The Single Audit Report for the two fiscal years ended June 30, 2003, was issued on March 23, 2004. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

### **MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE**

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Representative John Musgrove  
Representative Jeff Pattison, Chair  
Representative Rick Ripley

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

October 2004

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 2004. The objectives of the audit were to:

1. Determine if the office complied with applicable laws and regulations.
2. Make recommendations for improvement in the management and internal controls of the office.
3. Determine if the office's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 2004.
4. Determine the implementation status of the recommendation in our prior audit report.

This audit resulted in an unqualified opinion (page A-1) on the office's financial schedules (page A-3) and no recommendations. Our prior audit report contained one recommendation which the office has implemented.

The office was created by the 1975 legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the senate. A four-member selection committee, comprised of the speaker of the house, the president of the senate, and the minority floor leaders of both houses of the legislature, submits a list of two to five names of individuals to the governor for consideration. The commissioner can only serve one term. The office is authorized five full-time equivalent staff members.

The primary duties of the commissioner include:

1. Facilitating disclosure of financial contributions to and expenditures of candidates and political committees.
2. Facilitating registration of lobbyists and monitoring lobbyist's expenditures by principals.
3. Monitoring candidates and political committees, lobbyists, and principals for compliance with Montana campaign finance and practices laws and Montana lobbying laws.

4. Monitoring and enforcing Montana's Code of Ethics for public officers, public employees, and legislators.
5. Investigating legitimate complaints of alleged violations of campaign finance and practices laws, lobbying laws, and ethics laws.

Office officials reviewed and agreed with the contents of this report and chose not to respond in writing. We thank the commissioner and her staff for their assistance and cooperation.

Respectfully submitted,

*(Signature on File)*

Scott A. Seacat  
Legislative Auditor

## Appointed and Administrative Officials

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**Office of the Commissioner of  
Political Practices**

Linda L. Vaughey, Commissioner

Term Expires  
December 31, 2004

Dulcy L. Hubbert, Program Supervisor

For additional information contact:

Linda L. Vaughey, Commissioner of Political Practices  
PO Box 202401  
Helena MT 59620-2401  
Phone: (406) 444-2942

e-mail: *lvaughey@state.mt.us*

Members of the audit staff involved in this audit were Laurie Barrett, Jim Manning, and Delsi Plummer.

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-out of the Office of the Commissioner of Political Practices for each of the fiscal years ended June 30, 2003 and 2004. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of the Commissioner of Political Practices for each of the fiscal years ended June 30, 2003 and 2004, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*(Signature on File)*

James Gillett, CPA  
Deputy Legislative Auditor

September 20, 2004

Room 160, State Capitol Building PO Box 201705 Helena, MT 59620-1705  
Phone (406) 444-3122 FAX (406) 444-9784 E-Mail lad@state.mt.us



OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2003	\$ <u>(23,689)</u>	\$ <u>0</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	22,988	700
NonBudgeted Revenues & Transfers-In	60	
Direct Entries to Fund Balance	<u>286,033</u>	<u>(700)</u>
Total Additions	<u>309,081</u>	<u>0</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	<u>309,314</u>	
Total Reductions	<u>309,314</u>	
FUND BALANCE: June 30, 2004	\$ <u><u>(23,922)</u></u>	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.



OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2002	\$ <u>(28,968)</u>	\$ <u>100</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	68,413	
NonBudgeted Revenues & Transfers-In	36	93,500
Direct Entries to Fund Balance	<u>266,360</u>	<u>(93,600)</u>
Total Additions	<u>334,809</u>	<u>(100)</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	325,459	
Prior Year Expenditures & Transfers-Out Adjustments	<u>4,071</u>	
Total Reductions	<u>329,530</u>	
FUND BALANCE: June 30, 2003	\$ <u><u>(23,689)</u></u>	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Licenses and Permits	\$ 350	\$ 700	\$ 1,050
Taxes	3		3
Charges for Services	3,939		3,939
Fines, Forfeits and Settlements	18,700		18,700
Miscellaneous	56		56
Total Revenues & Transfers-In	<u>23,048</u>	<u>700</u>	<u>23,748</u>
Less: Nonbudgeted Revenues & Transfers-In	60		60
Actual Budgeted Revenues & Transfers-In	<u>22,988</u>	<u>700</u>	<u>23,688</u>
Estimated Revenues & Transfers-In	3,000	500	3,500
Budgeted Revenues & Transfers-In Over (Under) Estimatec	<u>\$ 19,988</u>	<u>\$ 200</u>	<u>\$ 20,188</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ 100	\$ 200	\$ 300
Charges for Services	1,438		1,438
Fines, Forfeits and Settlements	18,450		18,450
Budgeted Revenues & Transfers-In Over (Under) Estimatec	<u>\$ 19,988</u>	<u>\$ 200</u>	<u>\$ 20,188</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General Fund	State Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Licenses and Permits	\$ 47,350	\$ 93,500	\$ 140,850
Charges for Services	3,613		3,613
Fines, Forfeits and Settlements	17,450		17,450
Miscellaneous	36		36
Total Revenues & Transfers-In	<u>68,449</u>	<u>93,500</u>	<u>161,949</u>
Less: Nonbudgeted Revenues & Transfers-In	<u>36</u>	<u>93,500</u>	<u>93,536</u>
Actual Budgeted Revenues & Transfers-In	68,413	0	68,413
Estimated Revenues & Transfers-In	<u>32,750</u>	<u>0</u>	<u>32,750</u>
Budgeted Revenues & Transfers-In Over (Under) Estimatec	<u>\$ 35,663</u>	<u>\$ 0</u>	<u>\$ 35,663</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ 17,350		\$ 17,350
Charges for Services	1,113		1,113
Fines, Forfeits and Settlements	17,200		17,200
Budgeted Revenues & Transfers-In Over (Under) Estimatec	<u>\$ 35,663</u>	<u>\$ 0</u>	<u>\$ 35,663</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION</u>
Personal Services	
Salaries	\$ 142,994
Employee Benefits	41,832
Total	<u>184,826</u>
Operating Expenses	
Other Services	99,135
Supplies & Materials	9,651
Communications	5,768
Travel	101
Rent	8,448
Repair & Maintenance	391
Other Expenses	994
Total	<u>124,488</u>
Total Expenditures & Transfers-Out	<u>\$ 309,314</u>
EXPENDITURES & TRANSFERS-OUT BY FUND	
General Fund	\$ <u>309,314</u>
Total Expenditures & Transfers-Out	309,314
Actual Budgeted Expenditures & Transfers-Out	309,314
Budget Authority	<u>320,182</u>
Unspent Budget Authority	<u>\$ 10,868</u>
UNSPENT BUDGET AUTHORITY BY FUND	
General Fund	\$ <u>10,868</u>
Unspent Budget Authority	<u>\$ 10,868</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION</u>
Personal Services	
Salaries	\$ 137,476
Employee Benefits	36,261
Total	<u>173,737</u>
Operating Expenses	
Other Services	128,915
Supplies & Materials	8,724
Communications	7,714
Rent	7,140
Repair & Maintenance	404
Other Expenses	2,896
Total	<u>155,793</u>
Total Expenditures & Transfers-Out	<u>\$ 329,530</u>
EXPENDITURES & TRANSFERS-OUT BY FUND	
General Fund	\$ 329,530
Total Expenditures & Transfers-Out	329,530
Less: Prior Year Expenditures & Transfers-Out Adjustments	<u>4,071</u>
Actual Budgeted Expenditures & Transfers-Out	325,459
Budget Authority	354,800
Unspent Budget Authority	<u>\$ 29,341</u>
UNSPENT BUDGET AUTHORITY BY FUND	
General Fund	\$ 29,341
Unspent Budget Authority	<u>\$ 29,341</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-9.

# Office of the Commissioner of Political Practices

## Notes to the Financial Schedules

### For the Two Fiscal Year Ended June 30, 2004

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#### 1. **Summary of Significant Accounting Policies**

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##### **Basis of Accounting**

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The Office of the Commissioner of Political Practices uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General and State Special Revenue). In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

##### **Basis of Presentation**

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The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

State law requires the office to record its financial transactions on the accounting records in accordance with generally accepted accounting principles (GAAP). Office accounts are organized in funds

## Notes to the Financial Schedules

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according to state law applicable at the time transactions were recorded. The office uses the following funds:

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### **Governmental Fund Category**

**General Fund** - to account for all financial resources except those required to be accounted for in another fund.

**State Special Revenue Fund** - to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Effective July 1, 2001, the office State Special Revenue Fund includes \$100 from each registered lobbyist and is used by Legislative Services Division for state government broadcasting services.

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### **2. General Fund Balance**

The negative fund balance in the General Fund does not indicate overspent appropriation authority. Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. Each agency expends cash or other assets from the statewide fund when it pays General Fund obligations. The office outstanding liabilities exceed the assets the agency has placed in the fund, resulting in negative ending General Fund balances for each of the two fiscal years ended June 30, 2003, and June 30, 2004.

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### **3. Direct Entries to Fund Balance**

Direct entries to fund balances in the General and State Special Revenue Funds include entries generated by the accounting system to reflect the flow of resources within individual funds shared by separate agencies.

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### **4. Licenses and Permits Revenues**

Section 5-7-103, MCA, requires lobbyists in the state of Montana be licensed. The current license fee per lobbyist is \$150. Licenses expire each even-numbered year on December 31. They are usually renewed before a legislative session. This is the reason for the increased revenues in fiscal year 2002-03.